Summary

A need for biometric solutions in the U.A.E. will continue to gain momentum to keep pace with the booming construction market. Demand is being driven by the latest technology for verifying the identity of individuals at corporate and government sites as well as at border points and airports, with the market expected to be worth over $630 million within three years, according to industry sources. U.S. producers of biometric technology are major players in this market. New-to-market U.S. exporters should take advantage of the growing number of opportunities as the U.A.E. expands its use of biometric devices.

All biometric products are imported into the U.A.E., as there is no local production. Other competing factors affecting sales are product performance history, pricing, after sales service, product guarantee, compatibility with clients' current systems, and the flexibility on behalf of U.S. companies to adapt their product to fit the local social culture.

The three main distribution channels for these types of products are large manufacturers; software developers; and security integrators. Large manufacturers tend to focus on large projects such as the ID Card System supplied to the Emirates Identity Authority, National Iris-based Expellees Trading and Border Control System for the Ministry of Interior, e-Gate for Ministry of Immigration, to name a few.

Biometric products currently offered in the U.A.E. are facial recognition, fingerprint, hand geometry, retina verification, or any combination of these. After years of use, the fingerprint scanner is now widely accepted and is the leading biometric technology in the U.A.E. Though other forms of biometric products exist in the U.A.E. market, they do not have the same level of market penetration.

The primary fields for application of biometric technologies in the U.A.E. include:
1) Security field -- for criminal data and for population authentication
2) Medical or social services -- for identification purposes
3) Information systems -- for securing data
4) Transportation industry – access control
5) Private sector – access control, time and attendance control.

Successful economic diversity into non-oil sectors, coupled with an open and liberal pro-business environment and a world-class telecommunication infrastructure has undoubtedly turned the United Arab Emirates into the regional business hub for the Middle East. Key vertical segments in the U.A.E. are the oil and gas, government and finance sectors.

The UAE is the second largest recipient of American goods and services in the Gulf region and the fourth largest export market for US companies in the Middle East. The US currently runs a trade surplus with the UAE and has consistently ranked among the top 10 trading partners for the US. The government of the U.A.E. and U.S. are in the process of negotiating a free trade agreement.

The US Commercial Service highly recommends that U.S. companies interested in entering the U.A.E. market partner with local distributors that have an excellent local reputation, the ability to integrate biometric solutions, and can provide after-sales service.

This report highlights relevant factors for biometric products for the UAE market, an area in which U.S. companies are highly regarded and which offers a prospect for future increased U.S. exports. Information in this report was gathered through interviews with industry experts and local contacts, and by consulting resources available on the Internet.

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Market Data

Biometric devices in this market concentrate on: logical access for personal computers, physical access for security enhancement and surveillance. The willingness of Gulf States, including the UAE, to embrace biotechnology, places this region at the forefront of next generation security implementation.

Local industry sources shared that the private sector is a much bigger buyer of biometric solutions. This is a direct result of the construction boom that is being experienced in this country. Reliability of system remains the most important factor when considering a solution. The private sector is aware of the constantly decreasing price for biometric solutions, which often makes them expand their safety/security system to include this component when arranging for installation.

At present, we believe that there are approximately ten types of biometric technology that are commonly used or currently in development. They are fingerprint scanning, iris scanning, facial scanning, voice recognition, hand and/or finger recognition, retina scanning, thermo scanning, signature recognition, keystroke dynamic recognition, or DNA comparison.

Based on preliminary survey results, basic fingerprint and hand/finger scanning seem to be the most appealing in the UAE. Those looking to install a new system or upgrade to a biometric security system have also mentioned these as their technologies of choice. The local immigration authorities use iris recognition as a means to identify individuals who have been deported from the country.

Primary Biometric technologies currently implemented in the U.A.E. are:

- Finger printing   85%
- Hand geometry   10%
- Iris recognition   2%
- Retina-scan   2%
- Facial recognition   1%

Chart 1

- Finger Printing
- Hand Geometry
- Iris Recognition
- Retina-scan
- Facial Recognition
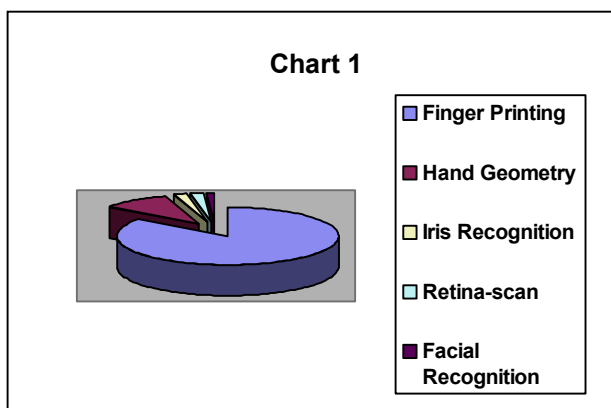
Geographic location of companies does not play a significant factor when it comes to market share in the UAE where all its needs for biometric products are imported, as there is no local manufacture. Local contacts informed that companies present in this market are from Europe, China, Korea, New Zealand and the U.S.

The market for biometric products in the U.A.E. is growing rapidly as demand increases from both the public and private sectors. This market has huge potential for growth over the next few years due to the need to increase security measures and to update and enhance identification systems with new and/or upgraded technology. The public sector tends to use biometric solutions for identification and verification purposes while large companies are using them mostly for access control, time and attendance and information security.

Import Market:
Since the market for biometric devices is young, statistics are not available making it difficult to accurately quantify total market size. One of the most promising areas is that of access control, with particular emphasis on the private sector. Current ongoing construction projects tend to enhance their facility security measures. Opportunities also exist in connection to the recording of time and attendance of personnel. Local industry sources mentioned that taking into consideration products currently being utilized in the country, US products are used extensively and are well accepted in this market.

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Local industry sources estimate that the leaders by market value for biometrics would be Saudi Arabia and the U.A.E. who combined, currently spend 77% of the region's IT budget worth almost $9 billion annually. Major projects such as new airports are one reason why industry players feel prospects are brighter in the Gulf region compared to Europe which has older facilities and keen environmentalists and pressure groups who often oppose or delay any expansion through public enquiries. The U.A.E. Ministry of the Interior also approved a $53 million contract last year for the design of an ePassport.

Past Projects:

Dubai, UAE: Fast Immigration Clearance with Fingerprint Biometrics -

In 2002, the Dubai Naturalisation and Residency Department (DNRD) and the Dubai Department of Civil Aviation launched a hi-tech e-gate project to allow pre-approved frequent travelers fast and convenient airport check-in and immigration processing using smart cards with biometrics via electronically controlled gates at Dubai International Airport.

The Dubai Electronic Immigration Clearance System works by using smart contact less cards with Identix fingerprint biometric authentication technology to prove identity in conjunction with integrated databases, access control barriers, and other proprietary technology for checks and security. Datel Systems and Software FC LLC using resources from Target Automation FCZ integrated the project, which was started in 2001.

The system is designed to check automatically the nationality and residency status of visitors coming in and out of Dubai, and be able to match fingerprints in quick succession with the passport/visa holder to clear immigration at Dubai airport quickly.

Expellees Tracking And Border Control System In UAE -

Iridian Technologies, Inc. was awarded the contract for the National Iris-based Expellees Tracking and Border Control System in the United Arab Emirates. The project, started in August 2001, involved the enrollment of inmates and expellees' irises from geographically distributed prisons and deportation centers throughout UAE into a central iris database at the General Directorate of Abu Dhabi Police.

A real-time, one-to-all, iris checks of all arriving passengers at any UAE border point will reveal if the person had been expelled from the country. The system has been rolled out nationally in all six international airports, more than 15 prisons and deportation centers, and all 10 sea and land border points in the UAE. 50,452 persons have been caught and not allowed to enter the UAE as of October 2005. This program started in October 2003.

Rawa Trading, the local Iridian partner, has carried out all the installations and provided on-site training and support to the UAE police staff operating the system at the various locations throughout the UAE.

National Identity Card (NIC) –

The U.A.E. national ID project will provide the first general ID card for all citizens and residents. Used increasingly in the government and private sectors, biometrics is seen as a foolproof identity solution to provide security, protection of personal information and reduce fraud. Handled by the Emirates Identity Authority (EIDA) the personal information cards will eventually hold driving licenses, border control data and medical records of each individual.

The Ministry of Interior, responsible for planning the project signed a Dhs. 194 million contract with the French IT company, SAGEM SA to provide the technology to implement the project by designing and producing the smart cards.

The NIC will be issued to all nationals and residents under a three-year comprehensive project started 2005. The ID card, which has been designed in accordance with international standards, can be used internationally and in the Gulf States, which had agreed to machine readable ID cards by U.A.E. nationals instead place of passports.

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Best Prospects

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It has been observed that the public and private sectors are increasing security measures, which is a direct result of world events. The biometric market is expected to have continued growth due to the increasing integration of biometric applications into devices.

Opportunities for biometric solutions abound among the numerous mega construction projects that are currently being built that would include safety and security solutions. In the U.A.E., biometrics is predominantly used for high-end security applications and for time and attendance application in the public sector.

Competition

Numerous international companies are present in the UAE through their locally appointed agent/distributor. Market sources indicated that the local market have products from across the globe including the US, China, Germany, Japan, Korea, Taiwan, Canada and Italy. A list of key contacts for biometric products is available upon request for a nominal fee.

UAE:
There is no local manufacture for biometric products.

US:
Some of the companies that have a presence in this market included Identix, Iridian Technologies, Recognition Systems, Motorola, Daon, Honeywell, Digital Persona, HID Corporation and Byoscrypt.

Third countries:
A few of the companies that currently have market share in the UAE are LG Electronics, Korea; Sagem, France; and Siemens, Germany.

For U.S. companies to counter competition from other countries, the key could be in highlighting a 'client list' as well as focusing on proven quality and reliability of the product. Providing case studies or current and successful application of a product is an important factor. Low cost at this time is not a determining factor for high-security applications.

U.S. companies interested in bidding on contracts, especially government ones, would need to ensure that they are pre-qualified. The bid would be submitted through the agent/distributor or a local company, if the route to partner on a project-by-project basis is taken. The local representation would be required to provide installation, training and maintenance services, especially for complex equipment. It is preferable that U.S. companies seek to join with companies that are present in the major emirates when appointing a representative. The presence of a nationwide service organization that can guarantee installation and maintenance will prove a definite advantage, as customers generally tend to require training, support and maintenance.

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Prospective Buyers

Buyers could be broken into two major categories – public and private entities.

Private entities would include banks, companies, major ongoing commercial/residential projects and to a lesser degree individuals who are interested in home protection.

Market sources indicated that the products from the US offer a better quality over other countries. Local sources indicated that US products are expected to offer a higher level of security to a number of other countries.

Market Entry

American products are highly regarded and well accepted.

The commercial climate in the U.A.E. is one of free trade and competitiveness. In order to enter the U.A.E. market, U.S. firms must appoint an agent/distributor. Local representation is a legal condition for doing business in the market and local firms generally prefer exclusive agency/distribution rights for all of the U.A.E. They then supply direct from their base, appoint representatives in other emirates, or have a network of offices throughout the U.A.E.

Great care is advised in the selection of the commercial agent. The law favors local businesses and the cancellation of agency agreements is difficult and costly, regardless of contract terms. When selecting an agent, U.S. suppliers are reminded that the U.A.E. Federal Agency Law No. 18 of 1981 and its 1989 amendments are applicable and should be reviewed carefully prior to appointing a local agent. Agency agreements should be registered with the Ministry of Economy and Commerce.

Distribution channels for biometric equipment are very similar to other industry products. The international company would sell to their agent/distributor who in turn sell to system integrators as well as directly to the end-users. Companies hire experienced sales forces to ensure that the product is well known and accepted locally. Occasionally international companies sell directly to system integrators on a project-to-project basis. This understanding would have been established prior to appointing the agent/distributor. UAE companies tend to win market share for the companies they represent by maintaining person-to-person contact with customers.

Co-operation with U.A.E. companies familiar with the techniques of preparing and presenting bids for tender is extremely important as numerous construction projects as well as government related projects that would include biometric solutions are contracted out this way. The company should be able to conduct market research, seminars and presentations.

International companies benefit from the expertise of their local representative's knowledge of this market, cultural and technological differences, existing customer base/sales network or personal relationships, local marketing and sales experience and support services. U.S. suppliers should be sure that their local distributor is well known in this market and enjoys close relationships with the customers. Personal relationships are important in this market, and should be emphasized by frequent visits from the U.S. office.

Foreign companies can set up a branch or representative office in the U.A.E., with prior approval from the Department of Economic Development at the emirate level and the Ministry of Economy and Commerce, a federal body. Representative offices and branches of foreign companies are legally barred from selling directly within the U.A.E. As a rule, the legally stipulated role of a foreign company is to promote their products and to facilitate contacts between the company and its U.A.E. clients/agents. This would not include companies that offer system integration services as branch offices can provide a service. Instead of having a local sponsor, a company offering service would need to appoint a "service agent" to provide specific services

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such as assisting in communications with government departments (e.g., facilitating visas for foreign company personnel) or undertaking other administrative matters.

International companies who prefer to have 100% ownership right tend to set up their office in one of the twelve free trade zones that are located in the U.A.E. all of whom offer many incentives and exemptions. This would not include international companies operating as system integrators.

Customs regulations are relatively straightforward and include the following documentation: commercial invoice and certificate of origin. Import duty is a flat rate of 5% for biometric equipment and supplies. There are no exchange controls or restrictions on repatriation of capital or profits.

Though the U.A.E. dirham is linked to the dollar, exchange rate fluctuations of the dollar against other major international currencies can affect prices and profit margins.

Shipments to the U.A.E. are usually under letters of credit (L/C) and sight drafts, depending on the exporter's preference and the extent of past dealing with the purchaser. For payment of L/Cs, the normal period is 90 days after acceptance of the draft. The extension of credit terms and other marketing assistance are key factors in a successful business relationship. A certain degree of flexibility is considered normal in the establishment of terms and conditions.

A broad range of US products hold significant potential as they are recognized for their high quality. US suppliers should be cognizant of the fact that because this is a relatively small market, orders for new-to-market products may lack the volume that are desired for an initial sale.

A good marketing strategy is to try and arrange a demonstration of the product highlighting the advantages offered by the biometric device (including product demonstration, slides etc.) and usefulness of the functionality of the system in on-field applications. The public sector is open to in-office demonstration-cum-presentation making it worthwhile to contact the various offices at both the federal and emirate level to inquire as to their interest in learning about new devices. It is always helpful to provide a list of past clients that are currently using the system in other countries. For the private sector, advertising through specialized magazines could be a good vehicle, and placing the emphasis on scientific and technical aspects of the device is an excellent approach.

Trade Events

An easy way to test the market is through trade magazines or local exhibitions. U.S. manufacturers, who are not yet represented in this part of the world, or those who wish to present new products, should consider exhibiting at the following international U.A.E. trade fairs:

Event: **MEPOL 2006**
Site: Expo Centre Sharjah
Date: November 6-8, 2006
Organizer: Expo Centre Sharjah
Phone: 971- 6- 577 0000
Fax: 971- 6- 577 0111
Email: jerome@expo-centre.ae
Contact: Jerome Ilad, Project Manager
Frequency: Bi-annual
Web mail: www.middleeastpolice.com
Description: A specialized event focusing on security products and services for Government / semi-government entities.

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Event: **InterSec 2007**
Site: Dubai International Exhibition Halls
Date: January 21-23, 2007
Organizer: Epoc Messe Frankfurt
Phone: 971-4- 338 0102
Fax: 971-4- 338 0041
Email: intersec@epocmessefrankfurt.ae
Contact: Imke Cochran, Project Manager
Frequency: Annual
Web mail: www.intersecexpo.com
Description: Everything.

For More Information

The U.S. Commercial Service in Dubai, United Arab Emirates can be contacted via e-mail at: Anne.deSouza@mail.doc.gov; Phone: 971-4-311 6111; Fax: 971-4-311 6140 or visit our website: www.buyusa.gov/uae.

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